

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Dexter Township	County Washtenaw
Fiscal Year End 3-31-2006	Opinion Date 6-29-2006	Date Audit Report Submitted to State 9-14-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

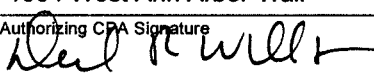
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	not required		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel, CPA's		Telephone Number 734-453-8770		
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI	Zip 48170
Authorizing CPA Signature 		Printed Name David R. Williamson		License Number 1101012382

**DEXTER TOWNSHIP**  
**Washtenaw County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended**  
**March 31, 2006**

DEXTER TOWNSHIP  
For the Year Ended March 31, 2006

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3-8
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Net Assets – Fiduciary Funds .....	14
Notes to Financial Statements .....	15-29
Required Supplementary Information:	
Defined Benefit Plans – Trend Information .....	30
Individual Fund Statements:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund .....	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Special Revenue Fund .....	32
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Fire Special Revenue Fund .....	33
Other Supplementary Information:	
Statement of Detailed Expenditures - Budget and Actual - General Fund .....	34-35

## FINANCIAL SECTION

# POST, SMYTHE, LUTZ and ZIEL LLP

*Certified Public Accountants*

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June 29, 2006

### Independent Auditor's Report

Board of Trustees  
Dexter Township  
Dexter, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Township, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of Dexter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Dexter Township, Michigan, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Dexter Township, Michigan as of March 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees  
Dexter Township  
June 29, 2006

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Dexter Township, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined pension plans trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dexter Township's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP  
Certified Public Accountants

## Management's Discussion and Analysis

As management of Dexter Township, we offer readers of Dexter Township's financial statements this narrative overview and analysis of the financial activities of Dexter Township for the fiscal year ended March 31, 2006.

### Financial Highlights

- The assets of Dexter Township exceeded its liabilities at the close of the most recent fiscal year by \$5,762,402 (*net assets*). Of this amount, \$2,371,535 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Dexter Township's governmental funds reported combined ending fund balances of \$5,602,500 an increase of \$270,998 in comparison with the prior year. Approximately 42% of this total amount, \$2,371,535 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,234,345.
- Dexter Township's total debt decreased by \$457,480 (7 percent) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Dexter Township's basic financial statements. Dexter Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Dexter Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Dexter Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Dexter Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Dexter Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Dexter Township include general government, public safety, public works and other activities. The Township has no business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Dexter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Dexter Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Dexter Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police, Fire, Multi Lake, and the Multi Lake Water and Sewer Debt Service Funds which are considered to be major funds.

Dexter Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue funds to demonstrate compliance with the annual appropriated budget.



**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Dexter Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-29 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Dexter Township, assets exceeded liabilities by \$5,762,402 at the close of the most recent fiscal year.

	Governmental	
	2006	2005
Current and Other Assets	\$ 6,863,370	\$ 6,760,884
Capital Assets	5,859,902	6,169,108
Total Assets	<u>12,723,272</u>	<u>12,929,992</u>
Long-term Liabilities	5,700,000	6,157,480
Other Liabilities	1,260,870	1,429,382
Total Liabilities	<u>6,960,870</u>	<u>7,586,862</u>
Net Assets:		
Invested in Capital Assets		
net of related debt	159,902	11,628
Restricted	3,230,965	3,469,811
Unrestricted	2,371,535	1,861,691
Total Net Assets	<u>\$ 5,762,402</u>	<u>\$ 5,343,130</u>

A portion of Dexter Township's net assets (2 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. Dexter Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Dexter Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The largest portion of Dexter Township's net assets (56 percent) represents resources that are subject to external restrictions on how they may be used. The remaining portion of *unrestricted net assets* (\$2,371,535) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Dexter Township is able to report positive balances in all three categories of net assets.

The government's net assets increased by \$419,272 during the current fiscal year as shown in the table below:

	Governmental	
	2006	2005
Program Revenues:		
Charges for Services	\$ 652,992	\$ 752,030
General Revenues:		
Property Taxes	972,075	925,486
State Shared Revenues	354,442	346,109
Unrestricted Investment Earnings	127,569	58,578
Total Revenues	<u>2,107,078</u>	<u>2,082,203</u>
Program Expenses		
General Government	397,528	394,546
Public Safety	557,478	560,423
Planning and Zoning	102,108	107,627
Public Works	346,867	308,538
Recreation, Culture, Health & Welfare	1,650	1,200
Other	21,546	21,652
Interest on Long-Term Debt	260,629	283,614
Total Expenses	<u>1,687,806</u>	<u>1,677,600</u>
Change in Net Assets	<u>\$ 419,272</u>	<u>\$ 404,603</u>

**Governmental activities.** Governmental activities increased Dexter Township's net assets by \$419,272, due to the fact that revenues exceeded expenses for current activities, and no unusual or non-recurring costs were incurred.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## Financial Analysis of the Government's Funds

As noted earlier, Dexter Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of Dexter Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Dexter Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Dexter Township's governmental funds reported combined ending fund balances of \$5,602,500, an increase of \$270,998 in comparison with the prior year. Approximately 42% of this total amount (\$2,371,535) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service costs (\$3,230,965).

The general fund is the chief operating fund of Dexter Township. At the end of the current fiscal year, the unreserved fund balance of the general fund and the total fund balance was \$1,234,345. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. The total fund balance represents 204% of expenditures.

The fund balance of Dexter Township's general fund increased by \$253,614 during the current fiscal year, as revenues exceed operating expenses and there were no significant capital expenditures, nor any need to transfer funds to other operating funds.

### General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget were \$145,478 increase in appropriations with a reduction in transfers to other funds of \$16,355. The appropriation for "contingency/planned use of fund balance" contained in activity "general government" represents the Township's desire to set aside future dollars for operating revenues. The public safety millages expired with the 2005 tax levy, and the voters have not yet been asked to approve new authorizations.

## **Capital Asset and Debt Administration**

**Capital assets.** Dexter Township's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$5,859,902 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Additional information on Dexter Township's capital assets can be found in note IV.B. on page 24 of this report.

**Long-term debt.** At the end of the current fiscal year, Dexter Township had total long term debt outstanding of \$5,700,000, all of which comprises debt backed by the full faith and credit of the government.

Additional information on Dexter Township's long-term debt can be found in note IV.D. on pages 25-26.

## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2007 fiscal year. Dexter Township budgeted for a decrease in state shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. Dexter Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. These factors were considered in preparing Dexter Township's budget for the 2007 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of Dexter Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dexter Township Supervisor.

## BASIC FINANCIAL STATEMENTS

**DEXTER TOWNSHIP**  
**Statement of Net Assets**  
**March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 5,518,008
Receivables (net of allowance for uncollectibles):	
Taxes	70,878
Accounts	30,514
Special Assessments	1,243,970
Capital Assets (Net of Accumulated Depreciation)	<u>5,859,902</u>
Total Assets	<u>12,723,272</u>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	10,705
Accrued Liabilities	6,195
Deferred Revenue	1,243,970
Noncurrent Liabilities:	
Due within one year	450,000
Due in more than one year	<u>5,250,000</u>
Total Liabilities	<u>6,960,870</u>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets, net of related debt	159,902
Restricted for:	
Debt Service	3,230,965
Unrestricted	<u>2,371,535</u>
Total Net Assets	<u>\$ 5,762,402</u>

**DEXTER TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2006**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
<b><u>Functions/Programs</u></b>			
<b>Primary Government:</b>			
Governmental Activities:			
General Government	\$ 397,528	\$ 243,939	\$ (153,589)
Public Safety	557,478	-	(557,478)
Planning and Zoning	102,108	-	(102,108)
Public Works	346,867	409,053	62,186
Recreation and Culture	1,650	-	(1,650)
Other	21,546	-	(21,546)
Interest on Long-Term Debt	260,629	-	(260,629)
Total Governmental Activities	<u>\$ 1,687,806</u>	<u>\$ 652,992</u>	<u>(1,034,814)</u>
General Revenues:			
Property Taxes			972,075
State Shared Revenue			354,442
Unrestricted Investment Earnings			<u>127,569</u>
Total General Revenues and Transfers			<u>1,454,086</u>
Change in Net Assets			419,272
Net Assets - Beginning			<u>5,343,130</u>
Net Assets - Ending			<u>\$ 5,762,402</u>

**Dexter Township**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2006**

	<u>General</u>	<u>Police Fund</u>	<u>Fire Fund</u>	<u>Multi Lake Fund</u>	<u>Multi Lake Water &amp; Sewer Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
Cash and Cash Equivalents	\$ 1,199,187	\$ 1,094,281	\$ 22,178	\$ 2,861,186	\$ 341,176	\$ 5,518,008
Receivables (net of allowance for uncollectibles):						
Taxes	12,090	25,191	14,179	-	19,418	70,878
Accounts	21,329	-	-	9,185	-	30,514
Special Assessments	-	-	-	-	1,243,970	1,243,970
Due from Other Funds	18,639	-	-	-	-	18,639
Total Assets	<u>\$ 1,251,245</u>	<u>\$ 1,119,472</u>	<u>\$ 36,357</u>	<u>\$ 2,870,371</u>	<u>\$ 1,604,564</u>	<u>\$ 6,882,009</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>						
Liabilities:						
Accounts Payable	\$ 10,705	\$ -	\$ -	\$ -	\$ -	\$ 10,705
Accrued and Other Liabilities	6,195	-	-	-	-	6,195
Due to Other Funds	-	3,241	15,398	-	-	18,639
Deferred Revenue	-	-	-	-	1,243,970	1,243,970
Total Liabilities	<u>16,900</u>	<u>3,241</u>	<u>15,398</u>	<u>-</u>	<u>1,243,970</u>	<u>1,279,509</u>
Fund Balances:						
Reserved for:						
Debt Service	-	-	-	2,870,371	360,594	3,230,965
Unreserved for:						
General Fund	1,234,345	-	-	-	-	1,234,345
Special Revenue Funds	-	1,116,231	20,959	-	-	1,137,190
Total Fund Balances	<u>1,234,345</u>	<u>1,116,231</u>	<u>20,959</u>	<u>2,870,371</u>	<u>360,594</u>	<u>5,602,500</u>
Total Liabilities and Fund Balances	<u>\$ 1,251,245</u>	<u>\$ 1,119,472</u>	<u>\$ 36,357</u>	<u>\$ 2,870,371</u>	<u>\$ 1,604,564</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,859,902
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,700,000)</u>
Net Assets of Governmental Activities	<u>\$ 5,762,402</u>



**DEXTER TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2006**

	<b>General</b>	<b>Police Fund</b>	<b>Fire Fund</b>	<b>Multi Lake Fund</b>	<b>Multi Lake Water &amp; Sewer Debt Service</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>						
Property Taxes	\$ 230,559	\$ 474,464	\$ 267,052	\$ -	\$ -	\$ 972,075
Licenses and Permits	9,705	-	-	-	-	9,705
Intergovernmental:						
Federal, State and Local	354,442	-	-	-	-	354,442
Charges for Services	175,933	-	-	165,159	-	341,092
Fines and Forfeitures	7,993	-	-	-	-	7,993
Special Assessments	-	-	-	-	243,894	243,894
Refunds and Reimbursements	15,670	-	-	-	-	15,670
Interest	29,201	21,366	1,206	73,609	2,187	127,569
Other	34,638	-	-	-	-	34,638
Total Revenues	<u>858,141</u>	<u>495,830</u>	<u>268,258</u>	<u>238,768</u>	<u>246,081</u>	<u>2,107,078</u>
<b><u>Expenditures</u></b>						
Current:						
General Government	365,765	-	-	-	-	365,765
Public Safety	44,034	264,264	249,180	-	-	557,478
Planning and Zoning	102,108	-	-	-	-	102,108
Public Works	69,424	-	-	-	-	69,424
Recreation and Cultural	1,650	-	-	-	-	1,650
Other	21,546	-	-	-	-	21,546
Debt Service:						
Principal	-	-	-	-	457,480	457,480
Interest and Other Charges	-	-	-	-	260,629	260,629
Total Expenditures	<u>604,527</u>	<u>264,264</u>	<u>249,180</u>	<u>-</u>	<u>718,109</u>	<u>1,836,080</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>253,614</u>	<u>231,566</u>	<u>19,078</u>	<u>238,768</u>	<u>(472,028)</u>	<u>270,998</u>
<b><u>Other Financing Sources (Uses)</u></b>						
Transfers In	-	-	-	-	568,667	568,667
Transfers Out	-	-	-	(568,667)	-	(568,667)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(568,667)</u>	<u>568,667</u>	<u>-</u>
Net Change in Fund Balances	253,614	231,566	19,078	(329,899)	96,639	270,998
Fund Balances - Beginning	<u>980,731</u>	<u>884,665</u>	<u>1,881</u>	<u>3,200,270</u>	<u>263,955</u>	<u>5,331,502</u>
Fund Balances - Ending	\$ <u>1,234,345</u>	\$ <u>1,116,231</u>	\$ <u>20,959</u>	\$ <u>2,870,371</u>	\$ <u>360,594</u>	\$ <u>5,602,500</u>

**DEXTER TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 270,998
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(309,206)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>457,480</u>
Change in net assets in governmental activities	\$ <u><u>419,272</u></u>

**DEXTER TOWNSHIP**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**March 31, 2006**

	<b><u>Tax Collection Fund</u></b>	<b><u>Agency Fund</u></b>
<b><u>ASSETS</u></b>		
Cash	\$ 9	\$ 6,308
<b><u>LIABILITIES</u></b>		
Due to Other	<u>9</u>	<u>6,308</u>
Net Assets Held in Trust	\$ <u>-</u>	\$ <u>-</u>

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dexter Township operates under a Board of Trustees form of government and provides the following services as permitted by law: public safety (police and fire), cultural and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of Dexter Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "the Financial Reporting Entity," the financial statements of Dexter Township should contain all the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependent on the Township.

The following organization is a component unit of Dexter Township and should be included as a discretely presented component unit in the general purpose financial statements. However, it is not included because only the primary government's financial statements have been presented.

Multi Lake Water & Sewer Authority

Financed through special assessment districts in both Lyndon and Dexter Townships. Dexter is responsible for 93.52% of the debt and operations.

The Authority was incorporated on October 4, 1994, under Public Act 233 of 1955, as amended. The purpose of the Authority is to acquire, operate, maintain and administer the sewage disposal systems and water supply systems constructed under the Authority's jurisdiction. Complete financial statements of the Multi Lake Water and Sewer Authority component unit may be obtained at the Multi Lake Water and Sewer Authority administrative offices, 12088 North Territorial Road, Dexter, Michigan, 48130.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Scope of Reporting Entity - Continued

The following organization is not part of Dexter Township and is excluded from the accompanying financial statements for the reasons stated:

Portage and Base Lake Water & Sewer Authority

- \* Dexter Township does not appoint a voting majority
- \* Budgets are approved by the Authority Board

The Portage and Base Lake Water & Sewer Authority was organized in 1988 under Public Act 233 of 1955 as a joint venture between Dexter Township, Hamburg Township, Putnam Township and Webster Township. The Authority was established to provide water and sewer services to the Portage and Base Lake residents. The Authority board is appointed by the legislative bodies of the aforementioned communities.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund is a special revenue fund used to account for the voter approved property taxes used to support police protection and related services.

The Fire Fund is a special revenue fund used to account for the voter approved property taxes used to support fire protection and related services.

The Multi Lake Fund is a special revenue fund used to account for capital improvements and debt retirement through user charges and special assessment districts in both Lyndon and Dexter Townships.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental Funds - Continued

The Multi Lake Water and Sewer Debt Service Fund was established to account for the special assessment collections and related debt service payments for certain infrastructure improvements.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

	<u>Accounts Receivable Governmental</u>
Total	\$ 30,514
Less Allowance for Doubtful Accounts	<u>-</u>
Net Realizable Value	<u>\$ 30,514</u>

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	4-10
Infrastructure	30



DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

4. Accumulated Unpaid Vacation and Sick Pay

The Dexter Township employee benefit package does not allow the accumulation of vacation or sick pay.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$5,700,000 difference are as follows:

General Obligation Bonds and Contracts Payable	<u>\$ 5,700,000</u>
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DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -  
Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The difference is (\$309,206), which consists of depreciation expense (\$323,783) net of capital outlay expense (\$14,577).

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The difference is \$457,480, which consists solely of repayment of general obligation long term debt.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. In accordance with State law, prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the departmental basis.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budget appropriations lapse at year end.
6. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
7. Budgeted amounts are reported as originally adopted and as amended by the Township Board.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2006.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

None of the funds have expenditures in excess of appropriations.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the Township's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of March 31, 2006, the Township's book balance of its deposits was 5,524,175; the total book value was \$5,524,325 due to \$150 in cash on hand. The bank balance was \$7,478,874 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 1,070,778
Uninsured and Uncollateralized	<u>6,408,096</u>
Total	<u>\$ 7,478,874</u>

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$ 5,518,008
Fiduciary Fund:	
Cash	<u>6,317</u>
Total	<u>\$ 5,524,325</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's and the Component Units' deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 4,713,602	Demand
Certificates of Deposit	\$ 2,765,272	221 Days

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments, certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

B. Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Capital Assets, being depreciated:				
Building and Improvements	732,865	-	-	732,865
Machinery and Equipment	147,530	14,577	-	162,107
Infrastructure	8,323,280	-	-	8,323,280
	<u>9,203,675</u>	<u>14,577</u>	<u>-</u>	<u>9,218,252</u>
Less: Accumulated Depreciation:				
Building and Improvements	(145,433)	(24,403)	-	(169,836)
Machinery and Equipment	(60,747)	(21,937)	-	(82,684)
Infrastructure	(2,843,787)	(277,443)	-	(3,121,230)
	<u>(3,049,967)</u>	<u>(323,783)</u>	<u>-</u>	<u>(3,373,750)</u>
Governmental Activities Capital Assets, net	\$ <u>6,169,108</u>	\$ <u>(309,206)</u>	\$ <u>-</u>	\$ <u>5,859,902</u>

Depreciated expense was charged to functions of the Township as follows:

General Government	\$ 46,340
Public Works	<u>277,443</u>
	<u>\$ 323,783</u>

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Inter-fund Receivables, Payables and Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Fund	\$ 3,241
	Fire Fund	15,398
		<u>\$ 18,639</u>

Amounts represent uncleared interfund transactions at year end.

<u>Transfers In</u>	<u>Transfers Out</u>	
Multi Lake Fund	Multi Lake Special Assessment Fund	
		\$ <u>568,667</u>

Transfers represent planned use of tap and debt service fees to supplement special assessment collections needed to pay debt.

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2006:

	<u>Total Long-Term Debt 4/1/05</u>	<u>New Debt</u>	<u>Retirement</u>	<u>Total Long-Term Debt 3/31/06</u>
Township Share of Multi Lake Sanitary Sewer System:				
1995 Bonds	32,480	-	32,480	-
1999 Refunding Bonds	<u>6,125,000</u>	<u>-</u>	<u>425,000</u>	<u>5,700,000</u>
	<u>\$ 6,157,480</u>	<u>\$ -</u>	<u>\$ 457,480</u>	<u>\$ 5,700,000</u>

The following is a summary of general obligation debt outstanding of the Township as of March 31, 2006:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Township Share of Multi Lake Sanitary Sewer System:			
1999 Refunding Bonds	3.95-4.80%	2015	<u>\$ 5,700,000</u>

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of March 31, 2006 is as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 450,000	\$ 241,013
2008	500,000	222,000
2009	500,000	201,625
2010	600,000	178,775
2011	600,000	153,275
2012-2016	<u>3,050,000</u>	<u>360,513</u>
	<u>\$ 5,700,000</u>	<u>\$ 1,357,201</u>

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at March 31, 2006, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Fund Balance</u>			
Reserved for:			
Debt Service	\$ -	\$ 2,870,371	\$ 360,594
Unreserved:			
Undesignated	<u>1,234,345</u>	<u>1,137,190</u>	<u>-</u>
Total Fund Balance	<u>\$ 1,234,345</u>	<u>\$ 4,007,561</u>	<u>\$ 360,594</u>

F. Property Taxes

Property tax assessments are determined (tax day) as of each December 31, and are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund. Township property tax revenues are recognized when levied to the extent that they are measurable and available in accordance with the N.C.G.A. Interpretation 3 (Revenue Recognition - Property Taxes). The maximum authorized operating levies for the Township are detailed below:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate (Pre Rollback)</u>	<u>Per \$1,000 State Equalized Value</u>	
			<u>Authorized Rate (Post Rollback)</u>	<u>Rate Levied</u>
Operating	State Law	1.1600	.8298	.8298
Fire	Voter Approved	1.0000	.9732	.9732
Police Services	Voter Approved	2.0000	1.7688	<u>1.7290</u>
Total				<u>3.5320</u>

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Property Taxes – Continued

The Township entered into an agreement with Washtenaw County Board of Commissioners for the prepayment of delinquent real property taxes. The Board of Commissioners has established a "Washtenaw County Delinquent Revolving Fund". The purpose of this fund is to allow the County Treasurer to pay each taxing unit any delinquent real property taxes which are due on settlement day with the Township Treasurer. To raise sufficient monies to finance the Revolving Fund, the County sells notes pledging the anticipated collection of the taxes as security. These taxes have been recorded as revenue for the current year.

G. Risk Management

Dexter Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

H. Retirement Program - Defined Benefit Plan

1. Plan Description

The Township contributes to the Michigan Municipal Employee's Retirement System (MMERS), which is an agent multiple employer retirement system that covers all full time nonunion employees of the Township. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent actuarial data available was for the actuarial valuation as of December 31, 2005.

MMERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MMERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal St., Lansing, Michigan 48917-9755.



DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

H. Retirement Program - Defined Benefit Plan – Continued

2. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Township's personnel policy. The Township is required to contribute at an actuarially determined rate; the current rate was 4.35 percent of annual compensation at December 31, 2004.

3. Contributions

During the fiscal year ended March 31, 2006, the Township's contributions totaling \$7,429 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Trend Information				
Fiscal Year Ended March 31,	Valuation Date Dec. 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	1997	\$ 8,323	100%	-0-
2001	1998	9,318	100%	-0-
2002	1999	7,483	100%	-0-
2003	2000	7,944	100%	-0-
2004	2001	7,194	100%	-0-
2005	2002	10,752	100%	-0-
2006	2003	7,429	100%	-0-

I. Contingent Liabilities

1. Property Tax Appeals

The Township has various property tax assessment appeals pending. The Township attorney is unable to determine the probable results and therefore no adjustments have been reflected in the financial statements.

DEXTER TOWNSHIP  
Notes to Financial Statements  
March 31, 2006

IV. DETAILED NOTES ON ALL FUNDS – Continued

I. Contingent Liabilities – Continued

2. Litigation

The Township is involved in various litigation primarily arising in the normal course of business. In the opinion of the Township officials and the Township attorney, the Township's liability, if any, under any pending litigation would not materially affect its financial condition in the forthcoming year.

REQUIRED SUPPLEMENTARY INFORMATION

DEXTER TOWNSHIP  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended March 31, 2006

Required Supplementary Information for GASB 27

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$ 131,101	\$ 187,050	\$ 55,949	70 %	\$ 72,962	77 %
12/31/98	164,373	243,374	79,001	68	100,067	79
12/31/99	203,401	252,416	49,015	81	122,106	40
12/31/00	242,907	304,422	61,515	80	136,351	45
12/31/01	269,103	324,899	55,796	83	144,678	39
12/31/02	285,168	337,699	52,531	84	167,910	31
12/31/03	312,188	372,279	60,091	84	157,546	38
12/31/04	340,670	412,454	71,784	83	181,525	40
12/31/05	374,437	426,936	52,499	88	183,094	29

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 4.5%	4.50-8.66%
Cost of living adjustments	None

**DEXTER TOWNSHIP**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
General Property Taxes	\$ 220,552	\$ 233,202	\$ 230,559	\$ (2,643)
Intergovernmental-State	358,000	354,442	354,442	-
Licenses and Permits	12,000	9,705	9,705	-
Penal Fines	12,000	7,993	7,993	-
Refunds and Reimbursements	31,000	15,670	15,670	-
Interest	6,950	29,201	29,201	-
Charges for Services	79,500	168,155	175,933	7,778
Miscellaneous	44,200	43,384	34,638	(8,746)
Total Revenues	<u>764,202</u>	<u>861,752</u>	<u>858,141</u>	<u>(3,611)</u>
Expenditures:				
General Government	493,261	617,466	365,765	251,701
Planning/Zoning	117,800	179,676	102,108	77,568
Public Safety	57,471	45,713	44,034	1,679
Highways and Streets	84,415	55,009	55,009	-
Sanitation	13,900	14,415	14,415	-
Cultural/Recreation	1,200	1,650	1,650	-
Other Functions	22,000	21,546	21,546	-
Total Expenditures	<u>790,047</u>	<u>935,475</u>	<u>604,527</u>	<u>330,948</u>
Excess of Revenues Over Expenditures	(25,845)	(73,723)	253,614	327,337
Other Financing Sources (Uses):				
Operating Transfer Out	<u>(16,355)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	\$ <u>(42,200)</u>	\$ <u>(73,723)</u>	253,614	\$ <u>327,337</u>
Fund Balance - April 1			<u>980,731</u>	
Fund Balance - March 31			\$ <u>1,234,345</u>	

**DEXTER TOWNSHIP**  
**Police Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 471,076	\$ 480,678	\$ 474,464	\$ (6,214)
Interest Income	<u>3,600</u>	<u>25,911</u>	<u>21,366</u>	<u>(4,545)</u>
Total Revenues	474,676	506,589	495,830	(10,759)
Expenditures:				
Public Safety	<u>474,676</u>	<u>506,589</u>	<u>264,264</u>	<u>242,325</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>-</u>	\$ <u>-</u>	231,566	\$ <u>231,566</u>
Fund Balance - April 1			<u>884,665</u>	
Fund Balance - March 31			\$ <u>1,116,231</u>	

**DEXTER TOWNSHIP**  
**Fire Special Revenue Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 258,645	\$ 270,151	\$ 267,052	\$ (3,099)
Interest Income	<u>-</u>	<u>1,206</u>	<u>1,206</u>	<u>-</u>
Total Revenues	258,645	271,357	268,258	(3,099)
Expenditures:				
Public Safety	<u>275,000</u>	<u>271,357</u>	<u>249,180</u>	<u>22,177</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,355)	-	19,078	19,078
Other Financing Sources:				
Operating Transfers In	<u>16,355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	\$ <u>-</u>	\$ <u>-</u>	19,078	\$ <u>19,078</u>
Fund Balance - April 1			<u>1,881</u>	
Fund Balance - March 31			\$ <u>20,959</u>	

OTHER SUPPLEMENTARY INFORMATION



**DEXTER TOWNSHIP**  
**General Fund**  
**Statement of Detailed Expenditures**  
**Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government:				
Township Board:				
Salaries and Wages	\$ 19,200	\$ 19,275	\$ 19,275	\$ -
Other	2,200	1,092	1,092	-
Total Township Board	<u>21,400</u>	<u>20,367</u>	<u>20,367</u>	<u>-</u>
Supervisor:				
Salaries and Wages	31,220	25,588	25,588	-
Other	2,700	2,041	2,041	-
Total Supervisor	<u>33,920</u>	<u>27,629</u>	<u>27,629</u>	<u>-</u>
Elections:				
Salaries and Wages	4,000	2,818	2,818	-
Other	5,950	4,752	4,752	-
Total Elections	<u>9,950</u>	<u>7,570</u>	<u>7,570</u>	<u>-</u>
Assessing:				
Salaries and Wages	9,450	8,731	8,731	-
Contractual Services	28,760	26,705	26,705	-
Other	2,650	2,990	2,990	-
Total Assessing	<u>40,860</u>	<u>38,426</u>	<u>38,426</u>	<u>-</u>
Clerk:				
Salaries and Wages	47,220	46,639	46,639	-
Other	3,560	1,667	1,667	-
Total Clerk	<u>50,780</u>	<u>48,306</u>	<u>48,306</u>	<u>-</u>
Board of Review:				
Salaries and Wages	1,600	1,600	1,600	-
Other	450	602	602	-
Total Board of Review	<u>2,050</u>	<u>2,202</u>	<u>2,202</u>	<u>-</u>
Treasurer:				
Salaries and Wages	41,220	40,786	40,786	-
Other	7,400	6,045	6,045	-
Total Treasurer	<u>48,620</u>	<u>46,831</u>	<u>46,831</u>	<u>-</u>
Building and Grounds:				
Other	22,950	18,990	18,990	-
Total Building and Grounds	<u>22,950</u>	<u>18,990</u>	<u>18,990</u>	<u>-</u>
Cemetery:				
Other	3,000	2,600	2,600	-
Total Cemetery	<u>3,000</u>	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Other:				
Salaries and Wages	43,431	37,078	37,078	-
Unallocated Fringes	12,500	13,305	13,305	-
Capital Outlay	200	-	-	-
Other	203,600	354,162	102,461	251,701
Total Other	<u>259,731</u>	<u>404,545</u>	<u>152,844</u>	<u>251,701</u>
Total General Government	<u>493,261</u>	<u>617,466</u>	<u>365,765</u>	<u>251,701</u>

(Continued)

**DEXTER TOWNSHIP**  
**General Fund**  
**Statement of Detailed Expenditures**  
**Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
(Continued)				
Planning:				
Planning Commission:				
Salaries and Wages	\$ 11,800	\$ 9,102	\$ 9,102	\$ -
Other	95,300	157,809	80,241	77,568
Total Planning Commission	<u>107,100</u>	<u>166,911</u>	<u>89,343</u>	<u>77,568</u>
Zoning Board of Appeals:				
Salaries and Wages	5,400	4,504	4,504	-
Other	5,300	8,261	8,261	-
Total Zoning Board of Appeals	<u>10,700</u>	<u>12,765</u>	<u>12,765</u>	<u>-</u>
Total Planning	<u>117,800</u>	<u>179,676</u>	<u>102,108</u>	<u>77,568</u>
Public Safety-Ordinance:				
Salaries and Wages	51,271	42,271	40,592	1,679
Other	6,200	3,442	3,442	-
Total Public Safety-Ordinance	<u>57,471</u>	<u>45,713</u>	<u>44,034</u>	<u>1,679</u>
Highways and Streets:				
Road Maintenance Contracts	76,315	55,009	55,009	-
Private Roads	8,100	-	-	-
Total Highways and Streets	<u>84,415</u>	<u>55,009</u>	<u>55,009</u>	<u>-</u>
Solid Waste:				
Other	4,000	1,915	1,915	-
Total Solid Waste	<u>4,000</u>	<u>1,915</u>	<u>1,915</u>	<u>-</u>
Recycling:				
Other	9,900	12,500	12,500	-
Total Recycling	<u>9,900</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
Cultural/Recreation:				
Salaries and Wages	1,200	1,400	1,400	-
Other	-	250	250	-
Total Cultural/Recreation	<u>1,200</u>	<u>1,650</u>	<u>1,650</u>	<u>-</u>
Other Functions- Insurance:				
Other	22,000	21,546	21,546	-
Total Other Functions-Insurance	<u>22,000</u>	<u>21,546</u>	<u>21,546</u>	<u>-</u>
Total Expenditures	\$ <u>790,047</u>	\$ <u>935,475</u>	\$ <u>604,527</u>	\$ <u>330,948</u>